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E.O. 11652:GDS

TAGS: EFIN

PLEASE DELIVER TO THE HONORABLE ARTHUR F. BURNS,
FOUR SEASONS HOTEL EARLY MORNING JANUARY 11

PRESS SECRETARY RON NESSEN INDICATED TODAY THAT PRESIDENT FORD IS SERIOUSLY CONSIDERING A UNANIMOUS RECOMMENDATION BY HIS LABOR-MANAGEMENT COMMITTEE TO REDUCE PERSONAL TAXES BY DOLS 15 BILLION AND TO INCREASE THE INVESTMENT TAX CREDIT RATE TO 12 PER CENT ACROSS THE BOARD ON DOMESTIC INVESTMENT. NESSEN SAID THE COMMITTEE'S RECOMMENDATION REGARDING TAX CUTS FOR INDIVIDUALS CONTEMPLATES A REDUCTION IN TAX WITHHOLDING ON INCOME EARNED IN 1975. THE COMMITTEE SAID THE INVESTMENT TAX CREDIT INCREASE FOR BUSINESS WOULD AMOUNT TO ABOUT DOLS 5 BILLION A YEAR. IT RECOMMENDED THAT THE TAX PACKAGE BE ENACTED IMMEDIATELY. OTHER COMMITTEE RECOMMENDATIONS INCLUDED A "STRETCH-OUT" OF PRESENT ENVIRONMENTAL RESTRICTIONS ON ENERGY PRODUCTION AND USE; THE ESTABLISHMENT OF FORMAL ENERGY CONSERVATION PROGRAMS IN INDUSTRY AND GOVERNMENT; AN INCREASE IN RELIANCE ON COAL AND NUCLEAR POWER.

THERE ARE SIMILAR ASSOCIATED PRESS AND DOW JONES WIRE STORIES TODAY, WHICH APPEARED TO ORIGINATE FROM GOVERNMENT BACKGROUNDING, PURPORTING TO OUTLINE IN DETAIL THE PRE-
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SIDENT'S ANTICIPATED ENERGY PROGRAM.

REFLECTING THIS WHITE HOUSE ANNOUNCEMENT, STOCK PRICES CONTINUED TO ADVANCE BRISKLY IN HEAVY TRADING. THE DOW JONES INDUSTRIALS WERE UP 13.53 POINTS TO A LEVEL OF 658.79 ON A VOLUME OF NEARLY 26 MILLION SHARES. THE LOW FOR THE D-J INDEX WAS SET ON DECEMBER 6 AT 577.60. THE TREASURY SECURITIES MARKET HAD A WEAKER TONE TODAY, ALTHOUGH TREASURY BOND PRICES IMPROVED LATE THIS AFTERNOON FOLLOWING SIZABLE PURCHASES OF NOTES AND BONDS BY THE DESK. THE 3-MONTH BILL CLOSED 9 BASIS POINTS HIGHER AT 6.64 PER CENT. FEDERAL FUNDS TRADED IN A NARROW RANGE CENTERING ON 7.20 PER CENT. IN REPLY TO YOUR TELEGRAM OF JANUARY 9, ALL COMMITTEE MEMBERS HAVE CONCURRED IN YOUR RECOMMENDATION TO REDUCE THE LOWER LIMIT OF THE FEDERAL FUNDS RATE CONSTRAINT. THE FIRST NATIONAL CITY BANK AND THE BANK OF AMERICA REDUCED THEIR PRIME LOAN RATE FROM 10-1/4 TO 10 PER CENT TODAY. A NUMBER OF OTHER MAJOR BANKS ALSO REDUCED THE PRIME RATE TO 10 OR 10-1/4 PER CENT TODAY.

DECEMBER RETAIL SALES INCREASED .7 PER CENT, ACCORDING TO THE ADVANCE REPORT --THE FIRST MONTH-TO-MONTH GAIN SINCE AUGUST. MOST OF THE GAIN WAS ATTRIBUTABLE TO A 4.6 PER CENT RECOVERY IN SALES OF THE AUTOMOTIVE GROUP. COMPARED WITH A YEAR EARLIER, TOTAL SALES WERE UP 6.4 PER CENT; THE FOURTH QUARTER AVERAGE IS OFF 3.2 PER CENT FROM THE THIRD QUARTER OF 1974.

RETAIL SALES IN THE WEEK ENDING JANUARY 4, SEASONALLY ADJUSTED, WERE OFF SHARPLY FROM THE PRECEDING WEEK, WITH LARGE DECLINES AT BOTH THE DURABLE AND NONDURABLE GOODS STORE GROUPINGS. IN THE FOUR WEEKS ENDING JANUARY 4, RETAIL SALES WERE UNCHANGED FROM THE PRECEDING FOUR WEEKS, WITH SALES AT NONDURABLE GOODS STORES DOWN NEARLY 1 PER CENT. ON AN UNADJUSTED BASIS, RETAIL SALES IN THE WEEK ENDING JANUARY 4 WERE 11 PER CENT ABOVE A YEAR EARLIER AND IN THE RECENT FOUR WEEK PERIOD SALES AVERAGED 6 PER CENT ABOVE A YEAR AGO.

NONFARM PAYROLL EMPLOYMENT (ESTABLISHMENT SURVEY) FELL 674,000 TO 77.7 MILLION IN DECEMBER AFTER A DECLINE OF 465,000 IN NOVEMBER; THE LARGEST TWO MONTH DECLINE IN THE
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POSTWAR PERIOD. EMPLOYMENT CUTBACKS WERE CONCENTRATED IN THE GOODS-PRODUCING SECTOR AFFECTING ALL ITS MAJOR INDUSTRY DIVISIONS. MANUFACTURING EMPLOYMENT DROPPED 505,000 IN DECEMBER REFLECTING WIDESPREAD DECLINES AMONG BOTH DURABLE AND NONDURABLE GOODS INDUSTRIES. THE MANUFACTURING WORKWEEK WAS OFF .1 IN DECEMBER, FOLLOWING A .6 HOUR DROP IN THE PREVIOUS YEAR. FACTORY HOURS WERE DOWN 1.2 HOURS OVER THE YEAR

ALMOST ALL OF WHICH RESULTED FROM REDUCED OVERTIME.

THE HOURLY EARNINGS INDEX FOR THE PRIVATE NONFARM SECTOR OF THE ECONOMY INCREASED .7 PER CENT IN DECEMBER TO A LEVEL 9.2 PER CENT ABOVE A YEAR AGO.

INITIAL CLAIMS FOR INSURED UNEMPLOYMENT BENEFITS DECLINED BY ABOUT 23,000 TO 539,400, SEASONALLY ADJUSTED, IN THE REPORTING WEEK ENDING JANUARY 4. ALTHOUGH INITIAL CLAIMS WERE BELOW THE AVERAGE FOR DECEMBER, THEY WERE ALMOST 70 PER CENT ABOVE A YEAR AGO. CONTINUING CLAIMS FOR REGULAR STATE BENEFITS ROSE BY ABOUT 114,000 IN THE REPORTING WEEK ENDING DECEMBER 28. AT 3MWW MILLION, SEASONALLY ADJUSTED, CLAIMS WERE MORE THAN 80 PER CENT ABOVE A YEAR AGO.

THE DOLLAR OPENED EASIER IN EUROPE BUT SUBSEQUENTLY FIRMED AND BY MID-AFTERNOON WAS GENERALLY ABOVE YESTERDAY AFTERNOON'S LEVELS. TRADING WAS RELATIVELY QUIET.

THE ONLY REPORTED INTERVENTION WAS BY THE BUNDESBANK WHICH PURCHASED A MODERATE AMOUNT OF DOLLARS AND BY THE BANK OF CANADA, WHICH BOUGHT A NOMINAL AMOUNT. YESTERDAY THE BANK OF CANADA SOLD DOLS 42-1/2 MILLION AS THE CANADIAN DOLLAR WEAKENED SHARPLY LATE IN THE DAY, IN PART RELATED TO EXPECTATIONS OF REDUCTIONS IN CANADIAN DISCOUNT AND PRIME RATES.

EURO-DOLLAR INTEREST RATES WERE AGAIN LOWER. THE THREE MONTH RATE WAS OFF 1/4 TO 8-11/16 PER CENT. GOLD FELL BY DOLS 1.75 TO DOLS 177.25.
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